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No. 03-1146

Supreme Court, U.S.
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# In The Supreme Court of the United States

SKIPPY INCORPORATED,

*Petitioner,*

v.

LIPTON INVESTMENTS, INCORPORATED, *et al.*,

*Respondents.*

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

## AMICUS BRIEF OF TRADE FORUM INCORPORATED IN SUPPORT OF PETITIONER AND GRANTING CERTIORARI

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## QUESTIONS ADDRESSED

This amicus brief provides distinct, but related, support for the position of petitioner primarily on those issues that the petitioner has numbered as questions one through three, inclusive, for prospective review.

## CORPORATE DISCLOSURE STATEMENT
## (Sup. Ct. R. 29.6)

Trade Forum Incorporated makes this corporate disclosure statement pursuant to Supreme Court Rule 29.6:

1. There is no parent corporation for the party.

2. No publicly-held corporation owns 10 percent or more of the stock of Trade Forum Incorporated.

## TABLE OF CONTENTS

Page

QUESTIONS ADDRESED ..... i

CORPORATE DISCLOSURE STATEMENT ..... ii

TABLE OF CONTENTS ..... iii

TABLE OF AUTHORITIES ..... v

INTEREST OF AMICUS CURIAE ..... 1

INTRODUCTION AND SUMMARY OF ARGUMENT ..... 1

ARGUMENT ..... 7

I. THE PTO'S EFFORT TO REWRITE THE PERMISSIVE COUNTERCLAIM RULES AS COMPULSORY ONES PRESUPPOSES AUTHORITY CONTRARY TO THE NONDELEGATION RULE ..... 8

II. NOTHING EMPOWERS THE PTO TO ELIMINATE SUBSTANTIVE RIGHTS OF PERMISSIVE COUNTERCLAIMS UNDER § 1064(3) ..... 12

A. A General Delegation For Some Rulemaking Is Inadequate ..... 12

B. The Nondelegation Doctrine Vindicates Important Principles Of Government Accountability ..... 16

III. SECTION 1064(3) IS WHOLLY LACKING IN ANY AMBIGUITY AS IT ENSURES THE RESTORATION OF THE PRINCIPAL REGISTER BY ALLOWING REMOVAL OF FRAUDULENT REGISTRATIONS AT ANY TIME ..... 18

CONCLUSION ..... 20

## TABLE OF AUTHORITIES

Page(s)

**Cases**

Adams Fruit Co. v. Barrett,
494 U.S. 638 (1990) ..... 12

A.L.A. Schechter Poultry Corp. v. United States,
295 U.S. 495 (1935) ..... 7, 16

Am. Mining Congress v. Safety & Health Admin.,
995 F.2d 1106 (D.C. Cir. 1993) ..... 5

American Postal Workers Union v. U.S. Postal Service,
707 F.2d 548 (D. C. Cir. 1983) ..... 5

AT&T Corp. v. Iowa Util. Bd,
525 U.S. 366 (1999) ..... 17

American Textile Mfrs. Institute, Inc. v. Donovan,
452 U.S. 490 (1981) ..... 17

Bowen v. Georgetown Univ. Hosp.,
488 U.S. 204 (1988) ..... 8

Bowsher v. Synar,
478 U.S. 714 (1986) ..... 11

Brae Corporation v. United States,
740 F.2d 1023 (D.C. Cir. 1984), cert. denied,
471 U.S. 1069 (1985) ..... 10

Bureau of Alcohol, Tobacco & Firearms v. FLRA,
464 U.S. 89 (1983) ..... 10, 11

Cannon v. University of Chicago,
441 U.S. 677 (1979) ..... 11

Chapman v. United States,
500 U. S. 453 (1991) ..... 19

Chevron USA. Inc. v.
Natural Resources Defense Council,
467 U.S. 837 (1984) ..... passim

Chrysler Corp. v. Brown,
441 U.S. 281, 302 (1979) ..... 8

E.E.O.C. v. Arabian American Oil Co.,
499 U.S. 244 (1991) ..... 13

Duffy-Mott Co. v. Cumberland Packing Co.,
424 F.2d 1095 (C.C.P.A. 1970) ..... 10

General Elec. Co. v. Gilbert,
429 U.S. 125 (1976), reh. denied,
429. U.S. 1079 (1977) ..... 13

Greene v. McElroy,
360 U.S. 474 (1959) ..... 17

Griffin Wellpoint Corp. v. AMSTED Indus. Inc.,
172 USPQ 503 (TTAB 1971) ..... 20

Industrial Union Department, AFL -- CIO v.
American Petroleum Institu.te,
448 U.S. 607 (1980) ..... 17

INS v. Cardoza-Fronseca,
480 US 421 (1987) ..... 17

Jones v. United States,
529 U.S. 848, 120 S. Ct. 1904 (2000) ..... 7

Joseph v. U.S. Civil Serv. Comm'n,
554 F.2d 1140 (D.C. Cir. 1977) ..... 5

J.W. Hampton, Jr., & Co. v. United States,
276 U.S. 394 (1928) ..... 5

Loving v. United States,
517 U.S. 748 (1996) ..... 16

Marshak v. Treadwell,
240 F.3d 184 (3d Cir. 2001) ..... 5

Merck, Inc. v. Kessler and Lehmann, et al.,
80 F.3d 1543 (Fed. Cir. 1996) ..... 12, 13

Mistretta v. United States,
488 U.S. 361 (1989) ..... 11, 16, 17

National Cable Television Ass'n v. United States,
415 U.S. 336 (1974) ..... 17

NLRB v. United Food & Comm'l Workers Union,
484 U.S. 112, 108 S. Ct. 413 (1987) ..... 9, 11

Ohio State University v. Ohio University,
51 U.S.P.Q.2d 1289 (TTAB 1999) ..... 5

Panama Refining Co. v. Ryan,
293 U.S. 388 (1935) ..... 17

Securities Industry Ass'n v. Federal Reserve Board,
468 U.S. 137, 143 (1984) ..... 10

Skidmore v. Swift & Co.,
323 U.S. 134, 140 (1944) ..... 11, 12, 13

Thompson v. Thompson, 484 U.S. 174,
108 S. Ct. 513 (1988) ..... 11

Thuron Industries, Inc. v. The Conrad-Pyle Co.,
579 F2.d 633, 403 (CCPA 1978) ..... 14, 18, 19

United States v. Lopez,
514 U.S. 549 (1995) ..... 7

United States v. Mead Corp.,
533 U.S. 218 (2001) ..... passim

United States v. Morrison,
529 U.S. 598, 120 S. Ct. 1740 (2000) ..... 7

United States v. Shaffer Equipment Co.
11 F.3d 450 (4th Cir. 1993) ..... 14

Wayman v. Southard, 23 U.S.
(10 Wheat.) 1 (1825) ..... 2

Whitman v. Am. Trucking Ass'ns,
531 U.S. 457 (2001) ..... 5

**Constitutional Provision**

U.S. Const. art. I ..... 6

**Statutes**

5 U.S.C. § 706(2)(A) ..... 10

5 U.S.C. § 706(2)(C) ..... 10

15 U.S.C. § 1064 ..... 3

15 U.S.C. § 1064(3) ..... passim

15 U.S.C. § 1119 ..... 2

15 U.S.C. § 1123 ..... passim

15 U.S.C. § 1127 ..... 18

**Regulations**

37 C.F.R. § 2.106(b) ..... 9, 10, 11, 14

37 C.F.R. § 2.106(b)2 ..... 1, 4

37 C.F.R. § 2.114(b)2 ..... 1, 4

46 Fed. Reg. 6935 ..... passim

**Rules**

Fed. R. Civ. P. 12(b)(6) ..... 4

Fed. R. Civ. P. 13(a) ..... 14, 18

Fed. R. Civ. P. 13(b) ..... 3, 9

Supreme Court Rule 37.2(a) ..... 1

Supreme Court Rule 37.6 ..... 1

**Other Authority**

Communications Act of 1934, ch. 652, § 4(i),
48 Stat. 1064 (1934) ..... 2

## INTEREST OF AMICUS CURIAE

Trade Forum Incorporated ("TFI") has an interest in the continuing vitality and proper implementation of the nondelegation doctrine of Article I of the Constitution and the separation of powers.[1]

## INTRODUCTION AND SUMMARY OF ARGUMENT

In 1979, Petitioner had sought service marks to reinforce its rights in the Skippy name, vindicated by a favorable 1934 opposition decision, and attempted to surmount two opposition petitions filed by CGR in early 1982. The Trademark Trial and Appeal Board ("TTAB"), however, ruled in the opposition proceedings that because a counterclaim against CGR was not filed with the answer as provided under the trademark rules of the Patent and Trademark Office ("PTO") or pursuant to other timely leave,[2] the TTAB defendant (Petitioner here) was barred from seeking to cancel CGR's cited registration. Both courts in this case held incorrectly that the consolidated decision based upon the TTAB ruling was res judicata. The Court of Appeals incorrectly affirmed based upon the professed res judicata bar, even though Skippy Inc. had not sufficiently discovered the grounds to file a timely counterclaim for

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[1] The authors of this brief are Robert Swecker and Steven Hoffer. Pursuant to Rule 37.6 of the Rules of this Court, amicus states that no counsel for a party authored this brief in whole or in part and that no person or entity other than amicus, its members, or its counsel, has made any monetary contribution to the preparation or submission of this brief. Pursuant to Rule 37.2(a), amicus states that the parties have all signed a letter of consent. There is no parent or publicly held company owning ten percent or more of the sponsoring corporation's stock. This reprinted version of the brief, as previously proposed in different format, has been modified editorially, without any substantive additions, to satisfy the Rules of this Court.

[2] Rules of Practice, 37 C.F.R. § 2.106(b)2 or 2.114(b)2.

fraudulent registration until mid-1984, more than two years after the date that the answer was filed in May 1982.

The PTO's interpretation of the Lanham Act, and 15 U.S.C. §§ 1064(3) and 1123, as modified by its Rules of Practice, as relied upon above, would violate the nondelegation doctrine. These provisions, as construed by PTO, do not merely authorize the agency to carry out or implement the statutory directives enacted by Congress, but effectively deputize PTO to engage in lawmaking.[3]

The General Provisions of the Lanham Act contain language that provides context to discern the limits of any power to make rules with the force of law. Section 1119; see also, Section 1123 ("Rules and regulations for conduct of proceedings in Patent and Trademark Office The Director shall make rules and regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office under this chapter.")

These two provisions indicate that the PTO was conferred a modicum of power to administer its internal housekeeping and procedural rules, "not inconsistent with law", or the procedures of the District Courts with whom it shares jurisdiction over contestable rights arising from the cancellation of registrations. There was not an express delegation of broad rulemaking authority.[4]

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[3] In administering Sections 1064(3) and 1123, PTO is going further than applying statutory factors prescribed by Congress or, in Chief Justice Marshall's words, "fill[ing] up the details" under the general provisions made by Congress. Wayman v. Southard, 23 U.S. (10 Wheat.) 1,43 (1825).

[4] Compare, Communications Act of 1934, ch. 652, § 4(i), 48 Stat. 1064, 1068 (1934) (authorizing the FCC to "perform any and all acts, make such rules and regulations, and issue such orders, not inconsistent with this Act, as may be necessary in the execution of its functions");

Tellingly, here, the subpart of Title 15, Ch. 22, on the Principal Register sets out in clear and ordinary terms that

> "a petition to cancel a registration of a mark, stating grounds relied upon, may, ... be filed as follows by any person who believes that he is or will be damaged, ... (3) At any time if the registered mark becomes the generic name for the goods or services, .... or is functional, or has been abandoned, or its registration was obtained fraudulently...." 15 U.S.C. Section 1064.

The PTO's revision was not deterred by comments that stated that there is no basis in the Trademark Act for the compulsory counterclaim rules.[5]

Yet, the PTO's rationalization begs the central question of the blatant inconsistency with the "at any time" language under 15 U.S.C. § 1064(3), which Congress mandated as part of its regulatory scheme.[6] The TTAB's rejection of a petition of cancellation based on allegations of fraud, cannot be deemed untimely consistent with 15 U.S.C. § 1064(3) by reliance on Trademark regulations that require compulsory counterclaims for any cause that existed at the time when the answer was filed.[7]

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[5] The PTO relied on a highly tenuous analogy between (a) Congress's power to limit causes of action on certain actions after five years, as a statute of limitations and (b) its own alleged authority to adopt compulsory counterclaim constraints in the absence of any statute of limitations. Final Rule, Vol. 46 Fed.Reg. 6935, at 6936 (Jan. 22, 1981) ("Final Rule").

[6] No ambiguity, for instance, invites the PTO to narrow the provision when the asserted countervailing policy of avoiding multiplicity of suits was already well within the purview of Congress, and impliedly balanced into then prevailing Federal Rules of Civil Procedure that permitted permissive counterclaims under Rule 13(b).

Because the TTAB's decision to decline to afford recourse on Petitioner's cancellation petition on May 29, 1986 was an error as a matter of law based on compulsory counterclaim rules that the PTO enshrined contrary to the non-delegation principle, any reliance upon res judicata grounds based upon that decision, or upon ones afflicted by that TTAB ruling, strongly warrant review.

Hence, this case illustrates the very dangers addressed by the nondelegation doctrine -- the risks that Congress will abdicate responsibility over critical policy judgments that effect an entire class of cases and that politically unaccountable agencies will seize the power to pursue their own policy agendas, asserting their own "discretion" as a shield to prevent meaningful judicial review.[8]

If the PTO has assumed away classes of meritorious fraud cases based on after-discovered facts, which could directly bear upon the goal of correcting the Principal Register to ensure its integrity, there must be an express delegation of power to do so. It is not clear from the language of 15 U.S.C. § 1123, that the PTO enjoys discretion to adopt rules for interparty proceedings in derogation of permissive counterclaim rights, when otherwise a petition to cancel a mark on the basis of fraudulent procurement may

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[7] Drawing permissible inferences here under Rule 12(b)6 in favor of the Petitioner on its Complaint in #03-1086, its allegations are presumed hereunder to be true in that CGR had identified its registration TR 504,940, in the opposition action, but that the other side had not been able yet to discover a sufficient basis to file a fraud counterclaim against CGR within its answer filed with the PTO.

[8] Detractors will insist that trademark rules of practice 37 C.F.R. § 2.106(b)(2) or 2.114(b)(2), satisfy the nondelegation doctrine because the PTO may later consider other public factors. However, these factors have been selected by PTO, without regard to the overarching "at any time" requirement. They were not adopted by Congress, and they are not set forth in the statute.

be filed at "any time" with no penalty for delay. Marshak v. Treadwell, 240 F.3d 184 (3d Cir. 2001). [9]

The distinction between legislative rules (that is, substantive legislative rules) and other types of rules is important in administrative law for several reasons. One is that the APA generally requires agencies to engage in notice-and-comment rulemaking before making legislative rules, but not before making procedural rules, interpretative rules, or policies.[10]

Quasi-legislative rules that detract from the policy of Congress to permit challenges to preserve the integrity of the Principal Register must be viewed with skepticism, especially when nothing in the empowering clause provides any intelligible principle guiding the PTO to ascertain when to subordinate that fundamental substantive goal to the agency's preference to avoid piecemeal litigation.[11]

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[9] The TTAB has held that there may be no laches defense to a cancellation action premised on fraudulent procurement. See, Ohio State University v. Ohio University, 51 U.S.P.Q.2d 1289, n.16 (TTAB 1999).

[10] Am. Mining Congress v. Safety & Health Admin., 995 F.2d 1106, 1109 (D.C. Cir. 1993); American Postal Workers Union v. U.S. Postal Service, 707 F.2d 548, 558 (D. C. Cir. 1983) ("A rule can be legislative only if Congress has delegated legislative power to the agency and if the agency intended to use that power in promulgating the rule at issue."); *cf.* Joseph v. U.S. Civil Serv. Comm'n, 554 F.2d 1140, 1153 n.24 (D.C. Cir. 1977) (whether a rule is legislative depends on "the authority and intent with which they are issued").

[11] This understanding as to lack of any intelligible principle to substantiate the express delegation, rooted in J.W. Hampton, Jr., & Co. v. United States, 276 U.S. 394, 409 (1928), still arises in modern cases. See, e.g., Whitman v. Am. Trucking Ass'ns, 531 U.S. 457, 472-76 (2001) (holding that Congress had articulated an "intelligible principle"). In the instant case, the PTO has employed procedural rulemaking to effectuate a policy that subordinates the primary policy goal of Congress, to its own administrative expediency to consolidate cases on common marks.

The PTO was never expressly accorded plenary authority to rewrite the rules for time-barring actions that bear on substantive rights. Otherwise, the lack of clear congressional standards limiting the PTO, coupled with the agency's unfettered discretion to establish its own guideposts, ensures that there is no adequate check on PTO's decisionmaking. The balance of authority contemplated by the separation of powers does not exist.[12]

The advocates of PTO discretion may be tempted to suggest on record that the requisite delegation it sought to imply here is no more expansive than those upheld by this Court in other cases. On the contrary, the delegation in this case is far beyond any upheld by this Court under the modern nondelegation doctrine, because the professed power is aimed to directly erode the force and effect of Congressionally promulgated § 1064(3), by invoking allegedly implied power from a sister provision of the same statutory scheme, § 1123.

Without a vigorous nondelegation doctrine, agencies will be able to "find" ambiguities in ordinary language in order to arrogate to themselves the power essentially to make law -- even though the unfettered ability to define as the law of the land any rationally supportable version of what a statute's words might mean is the very essence of the legislative authority granted to Congress by Article I.[13]

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[12] In 1986, Courts often presumed that nearly any perceptible gap in ambiguity could raise a presumption that Congress delegated prescriptive power to the agency to fill the gap. The need for a vigorous nondelegation doctrine has only been heightened by the power accorded to administrative agencies since Chevron USA. Inc. v. Natural Resources Defense Council, 467 U.S. 837 (1984). Chevron announced a rule of deference to reasonable agency interpretations of ambiguous statutory provisions. The presumptions that were routinely invoked throughout the 1980s-1990s, no longer may be drawn so liberally. United States v. Mead Corp., 533 U.S. 218 (2001)(J. Scalia dissenting).

The judgment of the Court of Appeals endorsement of the PTO's operational interpretation of Sections 1123 and 1064(3) accordingly should be reviewed by granting the writ of certiorari.

## ARGUMENT

This case presents an important opportunity to reaffirm the limits on governmental power reflected in the nondelegation doctrine. For example, this Court has affirmed the limits of the Article I commerce power.[14] These issues are not new, but have renewed vitality in the increasingly important area of intellectual property rights in general, and trademarks in particular.

Since A.L.A. Schechter Poultry Corp. v. United States, 295 U.S. 495 (1935), this Court has refined the measures with which the judicial branch may define the scope of authority delegated by Congress to administrative agencies of the Executive branch.

The Supreme Court recently held in United States v. Mead Corp., 533 U.S. 218 (2001), that agency interpretations are entitled to Chevron deference, described below, only when Congress has delegated power to the agency to make rules with the force of law and the agency's interpretation was rendered in the exercise of that power. The first step of this inquiry is often difficult to apply because the typical rulemaking grant falls short of specifying whether the "rules

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[13] In United States v. Lopez, 514 U.S. 549 (1995). This case presents an important opportunity not only to reverse the Court of Appeals' judgment validating PTO's unlawfully expansive interpretation of Sections 1123, and narrowing of 1064(3), of Title 15, Chapter 22, but also to establish a broader precedent affirming the nondelegation doctrine.

[14] See Jones v. United States, 120 S. Ct. 1904 (2000) (construing federal arson statute narrowly); United States v. Morrison, 120 S. Ct. 1740 (2000) (striking down civil suit provision in Violence Against Women Act).

and regulations" have the force of law, or includes only procedural and interpretative rules.[15]

## I. THE PTO'S EFFORT TO REWRITE THE PERMISSIVE COUNTERCLAIM RULES AS COMPULSORY ONES PRESUPPOSES AUTHORITY CONTRARY TO THE NONDELEGATION RULE

In its published "Final Rule" on compulsory counterclaims, the PTO observed that the public has an interest in the removal from the register of improvidently issued registrations. Vol. 46 Fed.Reg. at 6935 n.3. It is beyond dispute that the integrity of the Principal Register is of paramount importance to the public interest. Yet, the PTO adopted and applied specialized procedural rules to require compulsory counterclaims in opposition and cancellation proceedings, even though the rules could foreseeably impede those who might otherwise seek to restore the integrity of the Principal Register, to eradicate fraudulent filings where the basis for asserting fraud was not known at the outset of an opposition proceeding. In the instant case, the Petitioner sought, but was denied, recourse to correct registrations where the registrations or the incontestable right to use the mark was obtained fraudulently.[16]

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[15] Bowen v. Georgetown Univ. Hosp., 488 U.S. 204, 208 (1988) ("... an ... agency's power to promulgate legislative regulations is limited to the authority delegated by Congress."); Chrysler Corp. v. Brown, 441 U.S. 281, 302 (1979) ("The legislative power ... is vested in the Congress, and the exercise of quasi-legislative authority ... must be rooted in a grant of such power ... and subject to limitations which that body imposes.").

[16] In United States v. Mead Corporation, 533 U.S. 218 (2001)("Mead"), the majority cogently explained that:

> .. . The fair measure of deference to an agency administering its own statute has been understood to vary with circumstances, and courts have looked to the degree of the agency's care, its consistency, formality, and relative expertness, and to the

The Mead decision dramatically narrowed the Chevron Doctrine, and its presumptions.[17] In the present case, the intent of Congress could not be more clear. As demonstrated above, Congress included several express directives in § 1064(3), and elsewhere established the district courts as another forum of ostensibly parallel recourse under F.R.C.P. Rule 13(b). But nowhere did Congress suggest that the existence of a compulsory counterclaim regime might be imposed to bar relief for fraudulent registrations under § 1064(3).

As might be expected, the tribunals' rulings in favor of CGR ignored the text of § 1064(3) after the PTO had searched ambiguity elsewhere. The PTO impliedly claimed to have found it in § 1123. But this section gets the PTO nowhere. The phrase "shall make rules and regulations, not inconsistent with law, for the conduct of proceedings" in the PTO called for in § 1123's title may well require some interstitial interpretation by the PTO to ensure the orderly administration of justice (i.e. evidentiary hearings).

But the aberration of compulsory counterclaim provisions under § 2.106(b) have nothing to do with adjusting permissive counterclaim formalities under § 1123 and everything to do with altering rights and duties under § 1064(3). These provisions are "inconsistent with the law."

Even if Congress' intent with respect to PTO's compulsory counterclaims were unclear, the Chevron rule of deference would remain inapplicable to this case. For

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persuasiveness of the agency's position, see Skidmore, supra, at 139-140. Mead , 533 U.S. at 228. (footnotes omitted)

[17] Under Chevron the standard of review, as to deference, appeared to pivot on a preliminary question of intent of Congress, and afforded the agency a presumption that warranted deference. Chevron, 467 U.S. at 842-44. See also NLRB v. United Food & Commercial Workers Union, 108 S.Ct. 413, 426-27 (1987) (Scalia, J., concurring).

Congress has not "left a gap" in PTO's civil remedy for the Director "to fill." Chevron, 467 U.S. at 843. Indeed, far from filling a gap in counterclaim requirements, Regulation 2.106(b) creates a gap both in reconstituting the integrity of the Principal Register and in enforcement under PTO by entirely eliminating the congressionally created right of action resulting in injury due to latently discovered fraud.

Conflating Congress's constitutional prerogatives for its own, the PTO eliminated permissive counterclaims, or created a de facto bar to recourse by imputing a statute of limitations that flies in the face of Congressional intent.[18] There never was any "express delegation of authority to the [Director] to elucidate" § 1064(3) "by regulation." Chevron, 467 U.S. at 843-44. A regulation must be set aside if it is "'in excess of statutory jurisdiction, authority, or limitations, or short of statutory right.'"[19]

If the creation of a private right of permissive counterclaim is a uniquely legislative task, [20] then no other

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[18] An express grant of authority is required to justify agency action altering or setting aside a statutory provision that "directly address[es]" the particular subject in issue and "reflect[s] a specific set of congressional concerns." Brae Corporation v. United States, 740 F.2d 1023, 1059 (D.C. Cir. 1984), cert. denied, 471 U.S. 1069 (1985). The misdirection is redoubled here since Respondents' affidavit was adjudged false on appeal, and the lower court's entry of declaratory judgment was set aside. Respondents' misconduct bars their reliance on res judicata under the unclean hands doctrine. See, Duffy-Mott Co. v. Cumberland Packing Co., 424 F.2d 1095, 1099 (C.C.P.A. 1970).

[19] Bureau of Alcohol, Tobacco & Firearms v. FLRA, 464 U.S. 89, 97 n.7 (1983) (quoting 5 U.S.C. §§ 706(2)(A) & (C)). See also Securities Industry Ass'n v. Federal Reserve Board, 468 U.S. 137, 143 (1984) (courts "'must reject administrative constructions of [a] statute . . . that are inconsistent with the statutory mandate or that frustrate the policy that Congress sought to implement'") (citation omitted).

[20] This Court would be well advised to take two steps back and recall that what Regulation 2.106(b) purports to interpret and implement is not a

branch has any business suspending or limiting that right of action[21] -- particularly through the creation of time-barring defenses that Congress has considered and rejected.[22] Query whether a PTO rule on compulsory counterclaims that is wielded to eviscerate the "at any time" provision of the statute, 15 U.S.C. § 1064(3), is not the epitome of a regulatory action manifestly contrary to the statute. It treats that statute as if it is one of the agency's own rules that it may discretionarily treat as merely precatory.

This is manifest error, especially when the statutory language lacks the ambiguity of other legislation. The Mead majority also reasoned that:

> Justice Jackson summed things up in Skidmore v. Swift & Co.: 'The weight [accorded to an administrative] judgment in a particular case will depend upon the thoroughness evident in its consideration, the validity of its reasoning, its consistency with earlier and later pronounce-ments, and all those factors which give it power to

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scheme of administrative law at all, but a safeguard against the maintenance of improvidently registered trademarks, including ones that were procured through fraud or deceptive practices. § 1064(3). See, NLRB v. United Food & Commercial Workers Union, 108 S.Ct. 413, 427 (1987); Thompson v. Thompson, 108 S.Ct. 513 (1988).

[21] see Thompson, 108 S.Ct. at 522-23 (Scalia, J., joined by O'Connor, J., concurring in the judgment); Cannon v. University of Chicago, 441 U.S. 677, 742-45, 749 (1979) (Powell, J., dissenting).

[22] There is no place for "a sort of junior-varsity Congress." Compare Mistretta v. United States, 109 S.Ct. 647, 683 (1989) (Scalia, J., dissenting). This seems an apt description of the role the PTO arrogated to itself in Regulation 2.106(b). As this Court unanimously held in Bureau of Alcohol, Tobacco & Firearms v. FLRA, 464 U.S. 89, 97 n.7 (1983) "the 'deference owed to an expert tribunal cannot be allowed to slip into ... the unauthorized assumption by an agency of major policy decisions properly made by Congress.'" 464 U.S. at 97 (citation omitted). Cf. Bowsher v. Synar, 478 U.S. 714, 756 (1986) (Stevens, J., concurring).

> persuade, if lacking power to control.' 323 U.S. at 140.

Mead, 533 U.S. at 228. In dissent in Mead, Justice Scalia urged that Chevron left as the only "question of law" whether the agency's interpretation had gone beyond the scope of discretion that the statutory ambiguity conferred. Id. at 241-42n.2.

The Mead majority, however, reasoned that the initial presumption of some delegated power to initiate and make law to fill gaps was unwarranted. See Mead, 533 U.S. at 252. The delegation of interpretative authority as to standards or procedural rules does not justify any presumption that the agency otherwise controls policies that define legal rights and duties.[23]

## II. NOTHING EMPOWERS THE PTO TO ELIMINATE SUBSTANTIVE RIGHTS OF PERMISSIVE COUNTERCLAIMS UNDER § 1064(3)

### A. A General Delegation For Some Rulemaking Is Inadequate

Like Adams Fruit, agency action by the USPTO directed to adjudicative matters within the substantive expertise of the agency may be entitled to greater deference than ones that are not. In another case on PTO authority, Merck, Inc. v.

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[23] Justice Scalia's Mead dissent also cited to Adams Fruit Co. v. Barrett, 494 U.S. 638, 649-650 (1990) (although Congress required the Secretary of Labor to promulgate standards implementing certain provisions of the subject Act, and "agency determinations within the scope of delegated authority are entitled to deference," the Secretary's interpretation of the Act's enforcement provisions is not entitled to Chevron deference because "no such delegation regarding [those] provisions is evident in the statute"). See, Mead, 533 U.S. at 232, n.14. It is fundamental "that an agency may not bootstrap itself into an area in which it has no jurisdiction." Adams Fruit, at 494 U.S. at 650.

Kessler and Lehmann, et al., 80 F.3d 1543, 1549-50 (Fed. Cir. 1996), the Federal Circuit, presented with "a matter of pure statutory interpretation", confirmed upon de novo review that the "rule of controlling deference set forth in Chevron does not apply."[24] The Federal Circuit explained that the PTO Commissioners improperly relied on Chevron deference. [25]

Like Merck, the instant case raises the question of an exercise beyond delegated authority. Only here, it pertains to whether the PTO can effectuate substantive rules that effectively foreclose a class of cases (i.e., cancellation later-discovered fraudulent registrations) to avoid risking multiplicity of suits, in view of a limited delegation of power to devise procedures to conduct cases. The Merck decision, when viewed in light of the Mead Doctrine, plainly indicates that there can be no basis for Chevron deference for the PTO's so-called Final Rule on compulsory counterclaims because it appears to be inimical to a substantive goal of Congress: to maintain the integrity of Principal Register by

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[24] Id. at 1550, citing E.E.O.C. v. Arabian American Oil Co., 499 U.S. 244, 257, 113 L. Ed. 2d 274, 111 S. Ct. 1227 (1991); General Elec. Co. v. Gilbert, 429 U.S. 125, 140-46, (1976); Skidmore v. Swift & Co., 323 U.S. 134, 140 (1944).

[25] "The contention is unavailing, based as it is on a mistake as to Chevron's breadth. ... As the Seventh Circuit recently had occasion to note, however, 'only statutory interpretations by agencies with rulemaking powers deserve substantial deference.' (citations)"

"As we have previously held, the broadest of the PTO's rulemaking powers ... authorizes the Commissioner to promulgate regulations directed only to 'the conduct of proceedings in the [PTO]'; it does not grant the Commissioner the authority to issue substantive rules.... Because Congress has not vested the Commissioner with any general substantive rulemaking power, the 'Final Determination' at issue in this case cannot possibly have the 'force and effect of law.'" Id. at 1549-50.

the removal of fraudulent registrations, by permitting cancellation petitions at any time.

Despite the allegations of fraud by the present Petitioner, the Court of Appeals issued an order to affirm without separate opinion certain holdings against Petitioner because of conclusions that Petitioner had failed to raise compulsory counterclaims in earlier proceedings, and that those final judgments were res judicata. In arriving at this ruling, however, it improperly relies on pre-Mead presumptions, when instead no inference in favor of Chevron-deference, or any deference, extends here.[26]

Curiously, the PTO justified the constitutionality of the compulsory counterclaim rules by referring to the Federal Rules of Civil Procedure, Rule 13(a), even after its efforts to advance those rules on that basis were rejected in Thuron Industries, Inc. v. The Conrad-Pyle Co., 579 F.2d 633 (CCPA 1978), where by the PTO's own account "... the Court held that Rule 13(a), FRCP, did not support the Board's practice and that § 2.106(b), as then written, was a permissive rather than mandatory rule." Final Rule at 6937. The PTO had a choice to go back to Congress to expressly seek delegated powers to adopt new rules, or to comply with the Thuron ruling that "it does not have authority to do so where there is no void. 15 USC 1123." Thuron at 636-37.

The PTO chose not to do either, but apparently anticipating a challenge, instead sought to inoculate the

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[26] Even if, *arguendo,* one were to find the instant case governed by the Chevron doctrine, it is plain that the PTO went beyond the scope of discretion that the statutory ambiguity conferred. Also, Petitioner's allegations implicate an improper exercise of agency authority that was unduly leveraged by opposing counsel who deliberately failed to satisfy a duty of candor. Pet. at p.21. Lawyers "have the first line duty of assuring the integrity of the process", and must vigilantly "guard against the corruption that justice will be dispensed based on an act of deceit." United States v. Shaffer Equipment Co. , 11 F.3d 450 (4th Cir. 1993).

resumption of its unlawful policy on compulsory counterclaims through a rule-making following notice-and-comment.[27]

Although the PTO was apprised that certain concerns remained as to the situations where the grounds for a counterclaim exist but were not yet known to a defendant, it merely suggested the newly amended rules would not preclude future action on different facts.[28]

Attempting to resuscitate its nascent policy on compulsory counterclaims in the 1970s, the PTO never addressed the likelihood that its rulemaking efforts were prejudicial to fraud claims, where the factual basis of the claim remained concealed from a cancellation defendant at the date an answer was due. The PTO cautioned that "speculative counterclaims should not be filed", but ignored the Congressional mandate that expressly required the PTO to refrain from issuing rules that could frustrate the

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[27] This, however, was a transparent effort to deflect attention from the central question as to whether the PTO had been conferred the power to make law that departed from the law as applied by Federal Courts with jurisdiction over the same kinds of questions. The PTO merely pretended to abstain from preordaining the way the federal courts would apply the doctrine of estoppel to claims, which might have been, but were not, litigated in the Office.

[28] Curiously, while adopting the date of the answer as a fair limiting date, it also indicated that "if the cause of action for the cancellation of the plaintiff's pleaded registration has not matured by the date of filing the answer, the filing of a counterclaim is permissive rather than mandatory." Id. at p.6938. Its policy, again begs the question as to when a cause of action for fraud "matures."

After erroneously surmising it could apply a statute of limitations, the PTO also incorrectly reasoned that there is nothing inconsistent between a statutory cause of action for which there is no statute of limitations... and a compulsory counterclaim rule...," Final Rule, at p.6936, to conclude that there "is no provision of the Trademark Act with which the compulsory counterclaim rules are inconsistent." Id.

guaranteed recourse to raise claims for fraudulent registrations, at any time under 15 U.S.C. § 1064(3).[29]

### B. The Nondelegation Doctrine Vindicates Important Principles Of Government Accountability.

Under Article I and the separation of powers, "the lawmaking function belongs to Congress... and may not be conveyed to another branch or entity." Loving v. United States, 517 U.S. 748, 758-59 (1996).[30] The nondelegation doctrine mandates that Congress provide, at the very least, an "intelligible principle" to guide the exercise of power conferred on another branch.[31]

In a series of decisions that remain governing precedent today, this Court has established important limits on the power of Congress to delegate authority to regulatory agencies. In A.L.A. Schechter Poultry Corp. v. United States, 295 U.S. 495, 529 (1935), this Court opined that "[t]he Congress is not permitted to abdicate or to transfer to others the essential legislative functions with which it is thus vested." Id. at 529.[32]

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[29] While the Federal Register makes allowances that the envisioned amended rules permitted that any answer may be seasonably amended to plead a counterclaim when the grounds are learned after the original answer is filed, the Board, in practice, did not consider itself bound to grant leave for such amendments.

[30] "Legislative power is nondelegable. Congress can no more 'delegate' some of its Article I power to the Executive than it could 'delegate' some to one of its committees. What Congress does is to assign responsibilities to the Executive... Id. at 777 (Scalia, J., separate op.).

[31] Mistretta v. United States, 488 U.S. 361, 372 (1989). The intelligible-principle rule seeks to enforce the understanding that Congress may not delegate the power to make laws and so may delegate no more than the authority to make policies and rules that implement its statutes." Loving, 517 U.S. at 771.

Moreover, in Industrial Union Department, AFL - CIO v. American Petroleum Institute, 448 U.S. 607, 672 (1980), this Court reaffirmed non-delegation principles to invalidate an occupational benzene standard promulgated under OSHA.[33]

This Court has often applied the nondelegation doctrine to give "narrow constructions to statutory delegations that might otherwise be thought to be unconstitutional." Mistretta v. United States, 488 U.S. 361, 373 n.7 (1989). The more liberal presumptions of Chevron are starkly against the weight of better reasoned authorities,[34] and cannot offer any longer an adequate foundation for shoring up the PTO's compulsory counterclaim rules, decisions thereon, or res judicata effects therefrom.

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[32] This Court invalidated a statute purporting to delegate the authority to adopt codes of industrial conduct implementing the capacious standard of "fair competition." As Justice Cardozo put it, the legislation exemplified "delegation running riot," which created a "roving commission to inquire into evils and upon discovery correct them." Id. at 551, 553 (concurring opinion). See also , Panama Refining Co. v. Ryan, 293 U.S. 388, 415 (1935).

[33] The legislative history "contains nothing to indicate that the language ... does anything other than render what had been a clear ... standard largely, if not entirely, precatory." Id at 681-82; see also, American Textile Mfrs. Inst., Inc. v. Donovan, 452 U.S. 490, 543 (1981).

[34] See National Cable Television Ass'n v. United States, 415 U.S. 336, 342(1974). (citing Schechter Poultry to support a narrow construction empowering the F.C.C. to impose and collect certain fees from operators.)

See Greene v. McElroy, 360 U.S. 474, 507 (1959); see also INS v.Cardoza-Fronseca, 480 US 421, 446-48 (1987)(regardless Chevron, an agency's interpretation is only "called for when the devices of judicial construction have been ...found to yield no clear sense of congressional intent."); AT&T Corp. v. Iowa Util. Bd, 525 U.S. 366, 388 (1999).

## III. SECTION 1064(3) IS WHOLLY LACKING IN ANY AMBIGUITY AS IT ENSURES THE RESTORATION OF THE PRINCIPAL REGISTER BY ALLOWING REMOVAL OF FRAUDULENT REGISTRATIONS AT ANY TIME

The Court of Appeals failed to correctly hold that PTO's interpretation of Sections 1123 and 1064(3) violates the nondelegation doctrine. For these provisions, as construed by PTO, do not merely authorize the agency to carry out or implement the statutory directives enacted by Congress, but effectively deputize PTO to engage in the sort of fundamental policy choices and balancing of complex questions of compromises to the integrity of the Principal Register, law, and social policy on multiplicity of actions that are the very essence of lawmaking. In addition, PTO has framed its authority so broadly as to eliminate the possibility of effective judicial review as a restraint on its rulemaking.

While the Thuron Court thoroughly vitiated the PTO's rationalization that interests in a common mark was tantamount to the same transaction requirement of FRCP Rule 13(a), the PTO in effect sought to engage in quasi-legislative rulemaking practices, grounded in a notice-and-comment process, to effectively treat interests in a common mark as the same transaction, and thereby revitalize the very administrative practice deemed unlawful by the Thuron Court. This is not only flatly inconsistent with 15 USC 1064(3), and directly at odds with Congress' stated intent, but pretends the agency may legislate away a judicial ruling.[35]

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[35] By reinstating the afflicted compulsory counterclaim rules, the PTO carved out a safe harbor to those Plaintiffs who sought to surmount the rights of senior mark holders who were unaware of the Plaintiff's fraudulent conduct maneuvers. Yet, the trademark statutes provide, at 15 U.S.C. § 1127, that: The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; . . . ; to protect persons

There is no ambiguity in the statutory scheme to introduce a gap-filling measure that would inconsistently depart from the "at any time" clause of 15 U.S.C. § 1064(3). The decision in Thuron held that the trademark rules did not provide for the compulsory counterclaim rules.[36]

Viewed against Thuron,[37] it becomes clear that a practice of applying compulsory counterclaim rules, flawed ab initio, does not gain legitimacy by engaging in notice-and-comment rulemaking, where the rulemaking appears to be inconsistent with law.[38]

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engaged in such commerce against unfair competition; to prevent fraud and deception. . . .

[36] Clearly, no interpretative gap existed. The PTO did not seek to justify its compulsory counterclaim rules through any further act of Congress, but instead sought to resurrect the rules by its own pre-existing rulemaking authority, if any.

[37] Justice Scalia noted in his dissenting opinion in Mead, "I know of no case, in the entire history of the federal courts, in which we have allowed a judicial interpretation of a statute to be set aside by an agency— or have allowed a lower court to render an interpretation of a statute subject to correction by an agency. As recently as 1996, we rejected an attempt to do *precisely* that." Mead, dissent op. at 248-49, citing Chapman v. United States, 500 U. S. 453 (1991).

[38] In Mead, 533 U.S. at 226-27, this Court stated:

> We hold that administrative implementation of a particular statutory provision qualifies for Chevron deference when it appears that Congress delegated authority to the agency generally to make rules carrying the force of law, and that the agency interpretation claiming deference was promulgated in the exercise of that authority. Delegation of such authority may be shown in a variety of ways, as by an agency's power to engage in adjudication or notice-and-comment rulemaking, or by some other indication of a comparable congressional intent.

## CONCLUSION

The USPTO's regulations for compulsory counterclaims do not qualify for Chevron or any appreciable deference at all, because it appears that Congress delegated no authority to undermine the express "at any time" directive of 1064(3).[39] Any implied authority delegated to make rules carrying the force of law, does not arise to the level of power to countermand the expressly stated legislative prerogatives of Congress, especially ones that it deemed in the public interest. Accordingly, the petition for review ought to be granted.

Respectfully submitted,

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[39] Compare, Final Rule at 6938. If the fraud allegation is not raised in the pleading, the TTAB need not consider it. Griffin Wellpoint Corp. v. AMSTED Indus. Inc., 172 USPQ 503 (TTAB 1971). "The effect of omitting a counterclaim for which the grounds exist will be that the ... respondent, after the case is terminated will be barred from petitioning ... on any ground that matured when the original answer was filed in the first proceeding." Final Rule at 6939.